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FINANCIAL STATEMENTS

MCNEESE STATE UNIVERSITY FOUNDATION
(A Non-Profit Corporation)

Years Ended June 30, 2011 and 2010
With Independent Auditors' Report

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

DEC 21 2011

Release Date _____

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INDEPENDENT AUDITORS' REPORT

Board of Directors
McNeese State University Foundation
Lake Charles, Louisiana

We have audited the accompanying statements of financial position of the McNeese State University Foundation, a non-profit corporation, as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These statements are the responsibility of the management of the McNeese State University Foundation. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the McNeese State University Foundation, at June 30, 2011 and 2010, and the results of its activities and cash flows for the years then ended in conformity with generally accepted accounting principles of the United States of America.

Our audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Foundation's basic financial statements. The supplemental information on page 23 is presented to meet the requirement from the University of Louisiana Systems and is not a required part of the basic financial statements of the McNeese State University Foundation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 17, 2011
Lake Charles, LA

Langley, Williams & Co., L.L.C.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

ASSETS

	2011	2010
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 5,125,197	\$ 4,443,871
Unconditional promises to give	154,872	197,297
Total current assets	<u>5,280,069</u>	<u>4,641,168</u>
<u>NONCURRENT ASSETS</u>		
Investments	49,841,387	42,176,404
Donated property	1,029,025	879,025
Property held for resale	-	373,361
Total noncurrent assets	<u>50,870,412</u>	<u>43,428,790</u>
Total assets	<u><u>\$ 56,150,481</u></u>	<u><u>\$ 48,069,958</u></u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 115,510	\$ 162,401
<u>NONCURRENT LIABILITIES</u>		
Funds held in custody	<u>5,801,154</u>	<u>4,757,025</u>
Total liabilities	<u>5,916,664</u>	<u>4,919,426</u>
<u>NET ASSETS</u>		
Unrestricted:		
Unrestricted- general	4,204,569	640,681
Board- designated endowments	3,788,413	3,912,897
Temporarily restricted	8,189,138	7,301,742
Permanently restricted	34,051,697	31,295,212
Total net assets	<u>50,233,817</u>	<u>43,150,532</u>
Total liabilities and net assets	<u><u>\$ 56,150,481</u></u>	<u><u>\$ 48,069,958</u></u>

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>REVENUE AND SUPPORT</u>				
Contributions	\$ 44,781	\$ 2,422,273	\$ 1,005,598	\$ 3,472,652
Investment income (loss), net of fees of \$236,166 for 2011 and \$214,328 for 2010	3,601,531	1,695,239	1,750,887	7,047,657
Rent	35,246	-	-	35,246
Donated equipment	-	-	-	-
Donated services	2,638	-	-	2,638
Loss on sale of real estate	(28,387)	-	-	(28,387)
Other	15,441	-	-	15,441
Net assets released from restrictions: Satisfaction of program expenses	3,230,116	(3,230,116)	-	-
Total Revenue and Support	6,901,366	887,396	2,756,485	10,545,247
<u>EXPENSES</u>				
Grants paid to benefit McNeese State University for:				
Projects specified by donors	2,572,569	-	-	2,572,569
Dedicated scholarships	619,409	-	-	619,409
Freshman awards	20,000	-	-	20,000
Named honor awards	5,500	-	-	5,500
Excellence awards	10,000	-	-	10,000
In-kind distributions	2,638	-	-	2,638
Fund raising	72,610	-	-	72,610
Supporting services	159,236	-	-	159,236
Total Expenses	3,461,962	-	-	3,461,962
CHANGE IN NET ASSETS	3,439,404	887,396	2,756,485	7,083,285
Net assets at beginning of period	4,553,578	7,301,742	31,295,212	43,150,532
NET ASSETS AT END OF PERIOD	\$ 7,992,982	\$ 8,189,138	\$ 34,051,697	\$ 50,233,817

The accompanying notes are an integral part of these statements.

Year Ended June 30, 2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 33,442	\$ 2,225,227	\$ 578,889	\$ 2,837,558
2,675,868	1,108,328	1,058,964	4,843,160
43,010	-	-	43,010
10,102	-	-	10,102
1,063	-	-	1,063
-	-	-	-
3,815	-	-	3,815
3,610,093	(3,610,093)	-	-
6,377,393	(276,538)	1,637,853	7,738,708
3,008,474	-	-	3,008,474
556,017	-	-	556,017
20,000	-	-	20,000
5,500	-	-	5,500
10,000	-	-	10,000
10,102	-	-	10,102
95,447	-	-	95,447
133,919	-	-	133,919
3,839,459	-	-	3,839,459
2,537,934	(276,538)	1,637,853	3,899,249
2,015,644	7,578,280	29,657,359	39,251,283
\$ 4,553,578	\$ 7,301,742	\$ 31,295,212	\$ 43,150,532

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 7,083,285	\$ 3,899,249
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net realized loss on sales of property held for resale	28,387	-
Net unrealized (appreciation) depreciation in fair value of investments	(3,359,339)	(3,663,054)
Net realized (gains) losses on sales of investments	(2,384,773)	(371,998)
Investment earnings restricted for investment in endowment	(1,750,887)	(1,058,964)
Contributions restricted for investment in endowment	(1,005,598)	(578,889)
Bad debt write offs	(14,375)	-
Donated property	(150,000)	-
Change in unconditional promises to give	42,425	(41,690)
Change in accounts payable	(32,516)	120,523
Net cash used by operating activities	(1,543,391)	(1,694,823)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(17,892,136)	(16,855,644)
Proceeds from sale of investments	17,015,394	14,865,359
Proceeds from property held for sale	344,974	590,000
Net cash used by investing activities	(531,768)	(1,400,285)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Contributions restricted for investment in endowment	1,005,598	578,889
Investment earnings attributable to endowed funds	1,750,887	1,058,964
State matching funds received	-	200,000
Net cash provided by financing activities	2,756,485	1,837,853
NET CHANGE IN CASH	681,326	(1,257,255)
CASH AT BEGINNING OF PERIOD	4,443,871	5,701,126
CASH AT END OF PERIOD	\$ 5,125,197	\$ 4,443,871

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS- (CONTINUED)

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Supplemental cash flow disclosures:		
Non-cash transactions:		
State match receivable credited to funds held in custody	<u>\$ -</u>	<u>\$ 40,000</u>
Appreciation in fair value of investments attributable to funds held in custody	<u>\$ 1,044,129</u>	<u>\$ 748,142</u>

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The McNeese State University Foundation (the Foundation) is a not-for-profit organization which was formed to promote the educational and cultural welfare of McNeese State University by accepting gifts for the purpose of providing scholarships for students, professorships for educational research, or such other designated projects for the benefit of the University. The principal sources of support are from alumni of McNeese State University as well as businesses and individuals located in southwest Louisiana.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents includes cash on hand, cash in bank, and all highly liquid investments with original maturities of three months or less.

Promises To Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. For those investments where quoted market prices are unavailable, management estimates fair value based on information provided by the fund manager or the general partners. Dividends, interest and other investment income are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets depending on donor stipulations.

Donated investments are recorded at fair market value at date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification method. Realized gains and losses are recognized in the Foundation's current operations.

Donated Property

Donated property is reflected as a contribution in the accompanying statements at its estimated value at date of receipt. Donated properties are not used for Foundation operations.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Funds Held in Custody

The Foundation considers all state matching funds and unexpended income from these funds to be reported as Funds Held in Custody. All Funds Held in Custody are recorded at fair market value.

Contributions

In accordance with FASB ASC 958-225, *Not-for-Profit Entities- Income Statement*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Foundation operated as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations.

The Foundation adopted FASB ASC 740-10 on July 1, 2009. FASB ASC 740-10 provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Management has completed its evaluation of the impact of this standard, and the Foundation is unaware of any tax positions that would require disclosure.

Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Eminent Scholars Endowed Chairs and Endowed Professorships programs, which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures, and regulation regarding the administration of these programs. One of the requirements of the Board of Regents for Higher Education's investment policy relates to increasing each program's endowment balance each year and some transfers to permanently restricted net assets were made to comply with this policy.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassifications

Certain reclassifications have been made on the 2010 financial statements and footnotes to conform to the 2011 presentation. Net assets and change in net assets are unchanged due to these reclassifications.

2. CASH AND CASH EQUIVALENTS

The foundation maintains deposit accounts with large, multi-state financial institutions. As of June 30, 2011, the Foundation's collected bank balances did not exceed the federally-insured limits. The Foundation also has money-market holdings as part of its managed investment accounts. Such balances totaled \$1,567,875 and \$1,058,863 at June 30, 2011 and 2010, respectively, and are not secured.

Deposits with LAMP totaled \$2,645,555 and \$2,540,937 at June 30, 2011 and 2010, respectively. Such deposits are secured by an interest in the underlying investment pool, consisting of U.S. Treasury and agency securities, held by LAMP.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money markets funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA – R.S.33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "investment grade (A-1P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS – (Continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

3. PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2011	2010
Unrestricted promises to give	\$ 42	\$ 200
Restricted to departmental and scholarship funds	154,830	197,097
	<u>\$ 154,872</u>	<u>\$ 197,297</u>

Management considers unconditional promises to give to be fully collectible, therefore, no allowance for doubtful accounts is considered necessary. At such time as management determines an amount to be uncollectible, it is written off. Unconditional promises to give in the amount of \$14,375, as of June 30, 2011, were deemed uncollectible and written off.

The total amount of unconditional promises to give at June 30, 2011 is expected to be collected as follows:

	2011	2010
Less than one year	\$ 154,872	\$ 197,297
One to five years	-	-
Total unconditional promises to give	<u>\$ 154,872</u>	<u>\$ 197,297</u>

Certain donors have stipulated in their wills to make donations to the Foundation upon death. The total amount of such conditional promises to give is \$2,910,338 and \$2,089,606 at June 30, 2011 and 2010, respectively. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS

At June 30, 2011, the Foundation's investments, carried at fair value, consisted of the following:

	2011			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Corporate stock	\$ 12,715,985	\$ 1,983,025	\$ (489,272)	\$ 14,209,738
Intl equity mutual funds	4,213,334	892,611	(243,531)	4,862,414
Real estate investment trusts	2,735,124	671,719	(16,284)	3,390,559
Hedge funds	3,193,252	4,010,138	(200,508)	7,002,882
Emerging markets	3,417,768	553,177	(76,518)	3,894,427
Intl fixed income	1,649,880	259,751	-	1,909,631
Mutual funds	9,416,233	1,653,433	(6,116)	11,063,550
Treasury inflation- protected securities	2,905,134	510,147	-	3,415,281
Certificates of deposit	88,200	-	-	88,200
Other	4,705	-	-	4,705
	<u>\$ 40,339,615</u>	<u>\$ 10,534,001</u>	<u>\$ (1,032,229)</u>	<u>\$ 49,841,387</u>

At June 30, 2010, the Foundation's investments, carried at fair value, consisted of the following:

	2010			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Corporate stock	\$ 10,069,883	\$ 1,106,536	\$ (1,148,776)	\$ 10,027,643
Intl equity mutual funds	4,898,449	74,843	(1,028,376)	3,944,916
Real estate investment trusts	2,316,987	438,138	(51,026)	2,704,099
Hedge funds	4,057,340	3,463,396	(206,959)	7,313,777
Emerging markets	2,108,871	382,815	(93,878)	2,397,808
Intl fixed income	1,531,823	101,070	-	1,632,893
Mutual funds	9,454,169	1,709,164	(31,023)	11,132,310
Treasury inflation- protected securities	2,532,950	382,382	-	2,915,332
Certificates of deposit	87,723	-	-	87,723
Other	19,903	-	-	19,903
	<u>\$ 37,078,098</u>	<u>\$ 7,658,344</u>	<u>\$ (2,560,038)</u>	<u>\$ 42,176,404</u>

Market risk could occur and is dependent on the future changes in market prices of the various investments held.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS- (Continued)

Investment earnings included in the statement of activities was comprised of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Interest and dividend income	\$ 1,303,546	\$ 808,108
Realized gains (losses) on sales of investments	2,384,773	371,998
Unrealized gains (losses) on investments	3,359,339	3,663,054
	<u>\$ 7,047,657</u>	<u>\$ 4,843,160</u>

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are to be treated as principal, and must be retained in endowment fund accounts. However, under the Uniform Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donors if it is prudent in the judgment of the Board of Directors after considering the long and short term needs of the Foundation, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

If any donor stipulates that realized and unrealized investment gains should not be spent on the restricted purpose for which a fund was originated, then such gains will be added to investment principal and will not be expendable in the future. No such stipulations were present at June 30, 2011 and 2010.

Investment income from interest, dividends and realized gains and losses are allocated to various activities and programs under the Foundation's investment policy. The portion that pertains to unrestricted and short-term donor restricted activities is reported as unrestricted revenue, and the portion that pertains to permanent endowment activities is reported as temporarily restricted revenue, because it could be expended on the restricted purposes of the endowments in subsequent periods.

The Foundation invests in a hedge fund. The investment is a sophisticated, multi-strategy, multi-manager program designed to achieve an optimal balance of upside return potential and downside protection. The investment offers a diversified strategy protecting and preserving the Foundation's capital and a hedged equity strategy providing long-term capital growth. Both strategies also work to deliver risk-adjusted returns by capturing the market's return potential but with much less volatility. The portfolios are constructed using a time tested, disciplined methodology focused first on risk management. The managers then work to identify strategies within a framework and to develop relationships with investment managers. The derivative instrument is designated as a fair value hedging instrument. The fund's fair market value was \$7,002,882 and \$7,313,777 at June 30, 2011 and 2010, respectively. The Foundation's objective is to maximize its returns related to this investment. The Foundation does not invest in individual hedge funds, but instead, monitors the activity and returns of the manager. The Foundation's investment committee continuously examines the returns of the manager to ensure the Foundation's investment objectives are reached.

The returns from this hedge fund are reported and posted quarterly reflecting the fair market value as of the reporting date. The earnings on the hedge fund are included in unrealized gains (losses) in the Statement of Activities.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. DONATED PROPERTY

The carrying values of donated property consisted of the following at June 30, 2011 and 2010:

	2011	2010
650-acre farm, Lake Charles, Louisiana	\$ 350,000	\$ 350,000
Property at 1608 Sampson Street, Westlake, Louisiana	170,525	170,525
96.86 acre farm, Kinder, Louisiana	358,500	358,500
Art work	150,000	-
	<u>\$ 1,029,025</u>	<u>\$ 879,025</u>

The Foundation has agreed that both farms would be used primarily by the Agriculture Department of McNeese State University and would never be sold.

6. PROPERTY HELD FOR RESALE

In February 2008, the Foundation purchased land on Sale Street for \$373,361 and in March 2011 the University bought the land from the Foundation for \$344,974.

7. FUNDS HELD IN CUSTODY

The Foundation participates in a program with the State of Louisiana (the Eminent Scholars/Endowed Professorships Program sponsored by the Louisiana Board of Regents) whereby the State contributes matching funds which, together with donations received by the Foundation, establishes endowment funds, which are accumulated in accounts segregated from other Foundation funds. The state match constitutes 40% of the total endowment. The earnings on these funds are to be used for professorships. The Foundation considers donations received from donors into this fund to be permanently restricted net assets and all state matching funds as funds held in custody. The liability "Funds held in custody" represents the lesser of 40% of the fair value of the segregated accounts or the original state match amount plus required increases to cover inflation.

Funds held in custody are the state matching funds totaling \$5,801,154 and \$4,757,025 as of June 30, 2011 and 2010, respectively. The Foundation has received matching funds of \$4,240,000 and \$4,160,000 from the State of Louisiana as of June 30, 2011 and 2010, respectively, under the professorship program detailed in Note 1.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

7. FUNDS HELD IN CUSTODY- (Continued)

The following is a recap of these endowments (both the Foundation and State portions) as of June 30, 2011 and 2010:

	June 30, 2011		
	Residual Income Over Expenses	Original Principal	Total
State portion:			
Funds held in custody	\$ 731,851	\$ 5,069,303	\$ 5,801,154
Foundation portion	1,097,777	7,603,954	8,701,731
Total endowed professorships and chairs	<u>\$ 1,829,629</u>	<u>\$ 12,673,256</u>	<u>\$ 14,502,885</u>

	June 30, 2010		
	Residual Expenses Over Income	Original Principal	Total
State portion:			
Funds held in custody	\$ 261,096	\$ 4,495,929	\$ 4,757,025
Foundation portion	391,645	6,743,893	7,135,538
Total endowed professorships and chairs	<u>\$ 652,741</u>	<u>\$ 11,239,822</u>	<u>\$ 11,892,563</u>

8. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	2011	2010
Projects specified by donors	\$ 2,572,569	\$ 3,008,474
Dedicated scholarships	619,409	556,017
Freshman awards	20,000	20,000
Named honor awards	5,500	5,500
Excellence awards	10,000	10,000
In-kind distributions	2,638	10,102
	<u>\$ 3,230,116</u>	<u>\$ 3,610,093</u>

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS

Net assets were temporarily restricted for the following purposes at June 30, 2011 and 2010:

	2011	2010
Scholarships	\$ 1,754,539	\$ 1,799,670
H.C. Drew Institute	1,907,740	831,503
Other University Projects	941,037	930,366
Property held for resale	-	373,361
Donated art work	150,000	-
Institutional support	3,435,822	3,366,842
	<u>\$ 8,189,138</u>	<u>\$ 7,301,742</u>

Net assets were permanently restricted for the following purposes at June 30, 2011 and 2010:

	2011	2010
Eminent Scholars/Endowed Professorships	\$ 8,701,732	\$ 7,135,538
Scholarships	14,468,813	13,316,592
H.C. Drew Institute	6,000,000	6,000,000
Donated real estate held for research projects	879,025	879,025
Other University projects	4,002,127	3,964,057
	<u>\$ 34,051,697</u>	<u>\$ 31,295,212</u>

10. ENDOWED NET ASSETS

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility. Certain endowed funds are provided by the State of Louisiana as a match to qualifying private endowed contributions and are managed under agreement with the University for the University's benefit. These endowed assets are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching fund program.

A spending rate is determined by the Foundation Board of Directors on an annual basis, with consideration given to the market conditions, the spending levels of peer institutions, and the level of real return after spending measured over a rolling sixty-month time period. The spending rate approved by the Board is applied to the sixty-month moving average market value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations. For the 2010 through 2011 fiscal year the net spending rate approved by the Board of Directors was 0%. The Louisiana Board of Regents spending policy dictates that no portion of the inflation-adjusted corpus, as defined by the Board of Regents, is to be allocated for spending.

The Foundation Board of Directors has chosen to manage a portion of its unrestricted net assets as part of the endowed funds investment pool. At June 30, 2011 and 2010, the market value of these Board Designated Endowed Funds is \$3,788,413 and \$3,912,897, respectively.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

10. ENDOWED NET ASSETS- (Continued)

Composition of and changes in professorships for donor-restricted endowment funds for the year ended June 30, 2011 and 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2010	\$ 3,912,897	\$ 3,934,901	\$ 31,295,212	\$ 39,143,010
Investment return:				
Investment income	-	1,086,908	1,238,680	2,325,588
Net appreciation (depreciation)	(89,265)	-	512,207	422,942
Contributions	44,781	759,778	1,005,598	1,810,157
Transfer to create board- designated endowment funds	(80,000)	-	-	(80,000)
Released from restrictions	-	(1,028,270)	-	(1,028,270)
Endowment net assets, June 30, 2011	<u>\$ 3,788,413</u>	<u>\$ 4,753,317</u>	<u>\$ 34,051,697</u>	<u>\$ 42,593,428</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor- restricted endowment	\$ -	\$ 4,753,317	\$ 34,051,697	\$ 38,805,014
Board- designated endowment	3,788,413	-	-	3,788,413
	<u>\$ 3,788,413</u>	<u>\$ 4,753,317</u>	<u>\$ 34,051,697</u>	<u>\$ 42,593,428</u>

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Effective for fiscal year ended June 30, 2010, the Foundation adopted FASB ASC 820-10-50, *Not-for-Profit Entities-Fair Value Measurements and Disclosures*, which provides enhanced guidelines for measuring fair value. The standard requires the Foundation to provide expanded information about the assets and liabilities measured at fair value and the potential effect of these fair valuations on the Foundation's financial performance. The standard does not expand the use of fair value in any new circumstances but provides clarification on acceptable fair valuation methods and applications.

FASB ASC 820-10-50 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

11. FAIR VALUES OF FINANCIAL INSTRUMENTS- (Continued)

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I — Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I are publicly traded equity securities.

Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III — Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair value for these investments is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant measurement judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

11. FAIR VALUES OF FINANCIAL INSTRUMENTS- (Continued)

The following table summarizes the valuation of the Foundation's investments by the above FAS 157 fair value hierarchy levels as of June 30, 2011:

	Assets at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Corporate stock	\$ 14,209,738	\$ -	\$ -	\$ 14,209,738
International equity mutual funds	4,862,414	-	-	4,862,414
Real estate investment trusts	3,390,559	-	-	3,390,559
Hedge funds	-	109,184	6,846,241	6,955,425
Emerging markets	3,894,427	-	-	3,894,427
International fixed income	1,909,631	-	-	1,909,631
Mutual funds	11,063,550	-	-	11,063,550
Treasury inflation-protected securities	3,415,281	-	-	3,415,281
Side-pocket funds	-	-	47,457	47,457
Certificates of deposit	88,200	-	-	88,200
Other	-	4,705	-	4,705
Total assets at fair value	<u>\$ 42,833,800</u>	<u>\$ 113,889</u>	<u>\$ 6,893,698</u>	<u>\$ 49,841,387</u>

The table below includes a roll-forward of the amounts of Level 3 investments in the statement of financial condition for the year ended June 30, 2011 (including the change in fair value).

	Hedge funds	Side-pocket funds	Total
Balance at June 30, 2010	\$ 6,567,099	\$ 69,600	\$ 6,636,699
Net purchases and sales	(274,051)	(22,143)	(296,194)
Unrealized gains	553,193	-	553,193
Balance at June 30, 2011	<u>\$ 6,846,241</u>	<u>\$ 47,457</u>	<u>\$ 6,893,698</u>

Equitas Evergreen Fund, L.P. (hedge fund) has identified \$47,457 and \$69,600 as of June 30, 2011 and 2010, to be side-pocket funds that are considered illiquid by their investment manager.

12. TRANSACTIONS WITH THE UNIVERSITY

Pursuant to the affiliation agreement between the Foundation and the University, the University provides certain personnel services and usage of office space and equipment for Foundation operations. In return, the Foundation provides, solicits and manages funds for the benefit of the University.

A portion of the grants, such as scholarships and professorships, is paid directly to McNeese State University to be disbursed to final beneficiaries. Such expenses totaled \$648,781 and \$878,729 for the years ended June 30, 2011 and 2010.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

13. DEVELOPMENT EXPENSES

The Foundation incurred expenses totaling \$72,610 and \$95,447 for the years ended June 30, 2011 and 2010, respectively, relating to development and fundraising. Such amounts are included in the accompanying statements of activities.

14. SUPPORTING SERVICES

The following is the details on supporting services from statement of activities as of June 30:

	2011	2010
Contributions	\$ 3,380	\$ 1,725
Computer hardware and software	4,796	5,487
Computer training and consulting	19,520	9,343
Dues	5,008	4,597
Foundation events	465	164
Insurance	7,507	16,036
Miscellaneous office expenses	3,978	5,168
Planned giving and donor research	15,809	2,324
Professional fees	38,969	40,828
Property expenses	11,500	-
Salary paid to the University	3,921	3,917
Service charges	17,010	11,655
Staff recognition	3,554	1,263
Supplies	9,224	14,180
Travel	14,565	17,232
Wire fee	30	-
	<u>\$ 159,236</u>	<u>\$ 133,919</u>

15. CAPITAL CAMPAIGN

As of November 2006, the Foundation initiated a capital endowment campaign, known as "Building a Solid Foundation", to raise \$15 million by the end of 2010. As of June 30, 2011 the Foundation has collected \$15,047,297 out of the \$17,449,131 that is committed.

16. SUBSEQUENT EVENTS

Management of the Foundation is not aware of any subsequent events through October 17, 2011, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2011.

SUPPLEMENTAL INFORMATION

MCNEESE STATE UNIVERSITY FOUNDATION

SCHEDULE OF REVENUE AND EXPENSES MADE ON BEHALF OF THE UNIVERSITY'S INTERCOLLEGIATE ATHLETICS PROGRAMS

June 30, 2011

	Beginning Balance	Revenue	Expense	Ending Balance
MSU Golf Team	\$ 29,570	\$ 57,383	\$ 69,344	\$ 17,609
Basketball	12,339	6,000	5,000	13,339
Baseball - Diamond Chapter	83,798	76,168	91,713	68,253
MSU Girl's Softball	651	43,580	28,066	16,165
Athletic Director	9,467	54,373	53,658	10,182
MSU Goalie Booster Chapter	6,215	21,319	10,553	16,981
MSU Track - General	26,074	52,584	53,784	24,874
MSU Volleyball	1,216	-	-	1,216
Dugout Chapter	5,608	14,768	7,568	12,808
MSU Basketball "Tip Off"	58,040	7,276	42,012	23,304
MSU Tennis Booster	2,918	-	-	2,918
Girl's Basketball Booster	475	20,752	16,366	4,861
MSU Football	25,460	130,967	116,334	40,093
McNeese Quarterback Chapter	7,432	30,165	25,389	12,208
Petrochem Athletic Assn	99,826	73,965	106,899	66,892
McNeese Cowboy Chapter	36,313	266,739	293,839	9,213
Dowell Fontenot Sports Medicine	1,067	5,572	5,420	1,219
MSU Rodeo/Golden Saddle	260,679	63,457	23,059	301,077
Intramurals - I/O	13	-	-	13
MSU - Volleyball - General	2,483	17,280	11,563	8,200
MSU Athletic Foundation	48,349	11,984	54,798	5,535
MSU Athletic Traditions	-	51,775	-	51,775
MSU Athletics - Strength Dept	1,708	24,927	25,979	656
Tennis Camps	4,985	8,780	6,835	6,930
Fieldhouse Renovations	386,763	13,871	80,353	320,281
Sports Info Poster Acct	9,908	8,030	8,683	9,255
Athletic Marketing Fund	8,831	47,559	48,478	7,912
Football Field Turf Project	5,400	-	-	5,400
MAF Kids Club- Rowdy's Wranglers	843	460	863	440
Cowboy Club General Sch. Fund	300	20,000	-	20,300
	<u>\$ 1,136,731</u>	<u>\$ 1,129,734</u>	<u>\$ 1,186,556</u>	<u>\$ 1,079,909</u>